Fitch Ratings
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FITCH RATES KING COUNTY, WASHINGTON $47MM LTGO BONDS 'AA+' & $45MM LTGO BANS 'F1+'; OUTLOOK STABLE

Fitch Ratings-San Francisco-02 October 2007: Fitch Ratings has assigned the following ratings to King County, Washington's 2007 limited tax general obligation (LTGO) issues which are expected to sell competitively on Oct. 15, 2007:

--$11 million limited tax GO bonds, 2007C 'AA+';
--$36 million limited tax GO bonds, 2007D 'AA+';
--$45 million limited tax GO bond anticipation notes, 2007 'F1+'.

In addition, Fitch has affirmed the following outstanding ratings:

--$300.1 million unlimited tax GO bonds 'AAA';
--$1.2 billion limited tax GO bonds at 'AA+'.

The Rating Outlook for the long-term issues is Stable.

Seattle-Northwest Securities Corp. is the county's financial advisor. The bonds are secured by the county's full faith and credit, and are payable from a limited ad valorem tax pledge.
The 'AA+' and 'F1+' ratings reflect the county's sound economic base, based on its role as regional economic center, and its above-average wealth indicators, strong assessed valuation (AV) growth, and low taxpayer concentration. The county consistently achieves sound fund balances, despite economic fluctuations and a stringent property tax levy growth limitation (Initiative 747). Management is excellent, as evidenced by the county's proven results and adherence to strong council-adopted financial management policies. The county's debt burden is low, as the county favors pay-as-you-go capital financing whenever possible. The rating also considers the county's property-tax dependence and the strict limitation of Initiative 747.

While King County's employment base is dominated by the Boeing Company and Microsoft, increasing employment diversification is reducing the area's vulnerability to Boeing's cyclicality. Manufacturing is a declining percentage of total employment, while education and health services are increasing. Greater employment base stability was evidenced during the recent recession when the county's unemployment rate peaked at 6.2% in 2003, well below levels experienced in prior economic downturns. Since then, the unemployment rate has improved markedly, down to 3.7% in July 2007 which is below the state and national unemployment rates.

The county's financial operations benefit from strong management policies and practices, including the requirement that the undesignated fund balance equal at least 6% of estimated annual revenues. In fact, the county has consistently maintained higher balances. The 2006 ending general fund balance totaled $143.8 million, a high 24% of total expenditures, transfers, and other uses. The unreserved and undesignated portion, $96.3 million, also was strong at 16% of spending. There have been no general fund operating deficits in the last 10 years.

Given Initiative 747's strict limitation on property tax revenue growth to 1% over the highest levy in the last three years, Fitch notes that the county's dependence on property tax revenues declined from nearly 48% of general fund revenues in fiscal 2003 to 40% in fiscal 2006. Despite a 2006 superior court ruling determining Initiative 747 to be unconstitutional, it remains in effect while the court action is under appeal. The county's demonstrated ability to constrain expenditure growth when necessary, conservative budgeting practices, and prudent reserve policies offset much of Fitch's concerns about Initiative 747 constraints.

King County's debt burden is low, largely the result of a policy favoring cash funding over debt. Net direct debt is a low $998 per capita or 0.6% of AV. Including overlapping debt, the burden remains moderately low at $3,444 per capita or 2.1% of AV. The county plans to issue $150 million of new limited tax GO bonds through the end of fiscal 2008. The county's debt ratios would remain affordable after such issuances.

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